

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Capital Projects Funds are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains three non-major capital project funds:

1. The County School Facilities Fund is used to account for state apportionments provided for modernization of school facilities under SB50.
2. The Special Reserve Fund for Capital Outlay Projects exists to provide for the accumulation of monies for capital outlay projects.
3. The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Fiduciary Funds:

The District maintains two types of fiduciary funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains agency funds, one for each school that operates a student body fund. The amounts reported for student body funds represent the combined totals of all schools within the District.

The *Foundation Trust Fund* is used to account for donations that are restricted for student scholarships.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

SWEETWATER UNION HIGH SCHOOL DISTRICT
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June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

2. Stores Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets

3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$20,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized..

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

3. Capital Assets (continued)

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	25-50 years
Furniture and Equipment	5-15 years
Vehicles	8 years

4. Deferred Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

5. Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

6. Long-Term Obligations (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

7. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

I. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Revenue Limit is the amount of general purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

K. New GASB Pronouncements

During the 2007-08 fiscal year, the following GASB Pronouncements became effective for the District.

GASB Statement No. 48-Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues was issued in September 2006. This statement establishes criteria that governments use to ascertain whether proceed received as lump sum payment in exchange for certain receivables should be reported as a revenue or liability. The District had no such transactions during the year.

GASB Statement No. 50-Pension Disclosures-and amendment of GASB Statements No. 25 and No.27 was issued in May 2007. This statement amends statements 25 and 27 to require defined benefit pension plans and sole and agent employers present certain information related to note disclosures.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

	Governmental funds	Fiduciary funds
Cash in county treasury	\$ 340,302,399	\$ 11,821
Cash on hand and in banks	3,924,426	5,018,153
Cash with fiscal agent	9,150,452	-
Cash in revolving fund	27,276	-
Total deposits	<u>\$ 353,404,553</u>	<u>\$ 5,029,974</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the San Diego County Investment Pool with a fair value of approximately \$341,539,351 and an amortized book value of \$340,314,220. The weighted average maturity for this pool is 427 days as of June 30, 2008.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The individual investments within the San Diego County Investment Pool is rated at AAf/S1 by Standard & Poor's Investment Direct.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, \$8,942,579 of the District's bank balance was exposed to custodial credit risk because it was not fully insured or collateralized with securities held by the pledging financial institution's trust department or agent in the name of the District.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2008, expenditures exceeded appropriations in individual funds as follows:

Certificated Salaries	\$ (4,929,314)
Classified Salaries	\$ (1,981,685)

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 consist of the following:

	General Fund	Building Fund	Other Nonmajor Funds	Total Governmental Funds	Fiduciary Fund
Federal Government:					
Categorical Programs	\$ 5,208,722	\$ -	\$ 637,788	\$ 5,846,510	\$ -
State Government:					
Categorical Programs	6,897,096	-	123,426	7,020,522	-
Revenue Limit	15,768,946	-	2,173,558	17,942,504	-
Lottery	2,929,414	-	17,375	2,946,789	-
Local:					
Interest	1,082,399	1,642,743	446,968	3,172,110	102
Other	8,357,768	-	1,880,398	10,238,167	-
	<u>\$ 40,244,346</u>	<u>\$ 1,642,743</u>	<u>\$ 5,279,513</u>	<u>\$ 47,166,602</u>	<u>\$ 102</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2008 are as follows:

	Due To Other Funds			Total
	General Fund	Building Fund	Other Governmental Funds	
General Fund	\$ 890,336	\$ 57,145	\$ 767,210	\$ 1,714,691
Building Fund	8,000,000	-	4,719,771	12,719,771
Capital Projects for Blended Component Units	-	7,000,000	-	7,000,000
Other Governmental Funds	800,479	-	1,849,673	2,650,152
Total	\$ 9,690,815	\$ 7,057,145	\$ 7,336,654	\$ 24,084,614

General Fund due to the Building Fund for a temporary loan to be repaid	\$ 8,000,000
General Fund due to the Adult Education Fund to reimburse for CBET services	31,263
General Fund due to the General Fund automatically generated from the system for work orders and sales tax	890,336
General Fund due to the Special Reserve Fund for Capital Outlay for Bank of NY relocatables	662,194
General Fund due to the Cafeteria Fund for block grant money	107,022
Adult Education Fund due to the Building Fund for temporary loan to be repaid	2,060,000
Capital Projects for BCU due to the General Fund for a temporary loan to be repaid	7,000,000
Adult Education Fund due to the General Fund for retiree benefits, PERS reduction charges and others	371,515
Cafeteria Fund due to the General Fund for PERS reduction charges	203,483
Capital Facilities Fund due to the General Fund for reimbursement of expenditure for rental of facilities	189,661
Building Fund due to the General Fund for labor correction	57,145
Cafeteria Fund due to the Building Fund for temporary loan to be repaid	2,659,771
County School Facilities Fund to the General Fund for reimbursable expenditures incurred	2,322
Special Reserve Fund for Capital Outlay due to the General Fund for reimburseable expenditures incurred	229
County School Facilities Fund to Special Reserve Fund for Capital Outlay for	1,849,673
Total	\$ 24,084,614

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS (continued)

B. Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2007-08 fiscal year are as follows:

	Interfund Transfers Out				Total
	General Fund	Building Fund	Capital Projects Fund for Blended Component Units	Other Governmental Funds	
Building Fund	\$ -	\$ -	\$ 8,000,000	\$ 14,427,877	\$ 22,427,877
Capital Projects Fund for BCU	-	-	-	129,239	129,239
Other Governmental Funds	1,554,669	11,938,758	20,929,914	4,869,926	39,293,267
Total	<u>\$ 1,554,669</u>	<u>\$ 11,938,758</u>	<u>\$ 28,929,914</u>	<u>\$ 19,427,042</u>	<u>\$ 61,850,383</u>
Transfer from the General Fund to the Adult Education Fund for Lottery apportionment					\$ 792,476
Transfer from the General Fund to Special Reserve for Capital Outlay Fund for Bank of NY Relocatables					662,193
Transfer from General Fund to Cafeteria Fund for Block Grant					100,000
Transfer from the County School Facilities Fund to Special Reserve for Capital Outlay Fund for COP payments					1,849,674
Transfer from Capital Projects Fund to Capital Projects Fund for Olympian High transfer to Easlake High					3,020,252
Transfer from Capital Facilities Fund to Building Fund for State matching and OPSC money					14,427,877
Transfer from County School Facilities Fund to Capital Facilities Fund for BCU for an 06/07 liability					129,239
Transfer from County School Facilities Fund to Building Fund for State portion of savings					11,938,758
Transfer from Capital Projects Fund to Building Fund for San Ysidro High and Middle School 12 construction					8,000,000
Transfer from Capital Projects Fund to County School Facilities Fund for High School 14 construction					5,851,324
Transfer from Capital Projects Fund to Debt Service Fund for debt service payment					15,078,590
Total					<u>\$ 61,850,383</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 7 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007, As Originally Stated	Adjustments For Restatement	Balance July 1, 2007, As Restated	Additions	Deletions	Ending Balance June 30, 2008
Land	\$ 87,610,561	\$ -	\$ 87,610,561	\$ 28,531,617	\$ -	\$ 116,142,178
Site improvements	6,691,769	-	6,691,769	-	-	6,691,769
Buildings and improvements	218,634,836	-	218,634,836	63,375,574	-	282,010,410
Furniture and equipment	16,484,719	-	16,484,719	1,162,372	-	17,647,091
Work in progress	375,406,898	(1,928,594)	373,478,304	51,192,526	63,345,574	361,325,256
Total at historical cost	704,828,783	(1,928,594)	702,900,189	144,262,089	63,345,574	783,816,704
Less accumulated depreciation:						
Site improvements	4,959,075	-	4,959,075	153,818	-	5,112,893
Buildings	52,633,849	-	52,633,849	5,374,629	-	58,008,478
Furniture and equipment	11,058,201	21,557	11,079,758	1,211,254	-	12,291,012
Total accumulated depreciation	68,651,125	21,557	68,672,682	6,739,701	-	75,412,383
Governmental activities capital assets, net	\$ 636,177,658	\$ (1,950,151)	\$ 634,227,507	\$ 137,522,388	\$ 63,345,574	\$ 708,404,321

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007, As Originally Stated	Adjustments For Restatement	Balance July 1, 2007, As Restated	Additions	Deductions	Balance June 30, 2008	Due Within One Year
General Obligation Bonds	\$ 182,211,404	\$ -	\$ 182,211,404	\$ 181,973,787	\$ 1,525,000	\$ 362,660,191	\$ 8,785,000
Unamortized Premium on Issuances	3,857,812	-	3,857,812	3,746,194	270,353	7,333,653	-
Certificates of Participation	12,145,000	-	12,145,000	-	2,115,000	10,030,000	2,220,000
Special Revenue Bonds	-	206,675,000	206,675,000	-	5,895,000	200,780,000	6,370,000
Qualified Zone Academy Bonds	4,687,500	-	4,687,500	-	4,687,500	-	-
Capital Leases	8,060,944	-	8,060,944	2,100,000	2,703,253	7,457,691	1,940,967
Other Postemployment Benefits	-	-	-	5,185,219	-	5,185,219	-
Compensated Absences	7,634,837	-	7,634,837	929,460	-	8,564,297	-
Totals	\$ 218,597,497	\$ 206,675,000	\$ 425,272,497	\$ 193,934,660	\$ 17,196,106	\$ 602,011,051	\$ 19,315,967

General Obligation Bonds

The outstanding general obligation bonded debt of Sweetwater Union High School District at June 30, 2008 is:

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2007	Additions*	Deletions	Outstanding June 30, 2008	Due Within One Year
<u>Election of 2000</u>									
Series A	3/27/2001	3.25%-5.25%	8/1/2025	\$ 38,000,000	\$ 29,140,000	\$ -	\$ 1,525,000	\$ 27,615,000	\$ 1,030,000
Series B	6/25/2003	3.00%-4.75%	8/1/2028	52,000,000	52,000,000	-	-	52,000,000	525,000
Series C	10/21/2004	2.5%-5.27%	8/1/2029	96,999,415	101,071,404	1,973,787	-	103,045,191	705,000
<u>Election of 2006</u>									
Series A	3/12/2008	3.00%-5.5%	8/1/2047	180,000,000	-	180,000,000	-	180,000,000	6,525,000
				\$ 366,999,415	\$ 182,211,404	\$ 181,973,787	\$ 1,525,000	\$ 362,660,191	\$ 8,785,000

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT

Election of 2000

In November 2000, the District voters authorized \$187 million in General Obligation Bonds for the remodeling, new construction and renovations detailed in the Facilities Improvement Plan. Series A through C were issued and consisted of: (1) \$153,570,000 in serial bonds; and, (2) \$33,439,415 in capital appreciation bonds, with interest rates ranging from 2.5% to 5.27%. The annual requirements to amortize the Election of 2000 general obligation bonds payable, outstanding as of June 30, 2008, are as follows:

Fiscal Year	Principal *	Interest	Total
2008-09	\$ 2,260,000	\$ 6,354,726	\$ 8,614,726
2009-10	3,025,000	6,279,064	9,304,064
2010-11	3,795,000	6,179,026	9,974,026
2011-12	4,415,000	6,047,668	10,462,668
2012-13	5,075,000	5,885,885	10,960,885
2013-2018	29,939,324	26,140,027	56,079,351
2018-2023	35,552,510	21,817,760	57,370,269
2023-2028	56,337,581	16,021,010	72,358,591
2028-2029	36,215,000	2,508,313	38,723,313
Total	\$ 176,614,415	\$ 97,233,477	\$ 273,847,893

* Excludes \$6,045,776 in accreted interest on the capital appreciation bonds

Election of 2006

In November 2006, the District voters approved Proposition O, which authorizes \$644 million in general obligation bonds. On March 12, 2008, Series A amounting to \$180,000,000 was issued and consists of: (1) \$17,265,000 in serial bonds; and, (2) \$162,735,000 in term bonds with state interest rates ranging from 3% - 5.5%. The bonds are for the construction, reconstruction and equipping schools as described in the Long Range Facilities Plan. The annual requirements to amortize the Election of 2000 general obligation bonds payable, outstanding as of June 30, 2008, are as follows:

Fiscal Year	Principal	Interest	Total
2008-09	\$ 6,525,000	\$ 3,293,522	\$ 9,818,522
2009-10	1,095,000	9,202,963	10,297,963
2010-11	1,560,000	9,148,213	10,708,213
2011-12	50,000	9,089,713	9,139,713
2012-13	495,000	9,087,838	9,582,838
2013-2018	5,425,000	45,006,856	50,431,856
2018-2023	2,115,000	43,973,106	46,088,106
2023-2028	-	43,806,406	43,806,406
2028-2033	17,955,000	42,937,906	60,892,906
2033-2038	36,440,000	35,851,156	72,291,156
2038-2043	46,845,000	25,429,782	72,274,782
2043-2047	61,495,000	10,754,717	72,249,717
Total	\$ 180,000,000	\$ 287,582,178	\$ 467,582,178

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

Certificates of Participation

The District has two issuances of certificates of participation (COP) outstanding as of June 30, 2008 for a total principal balance of \$10,030,000.

- The first COP was issued on April 1, 1997 to purchase relocatable classrooms for student growth, the principal balance as of June 30, 2008 was \$1,260,000.
- The second COP was issued July 13, 2006 in the amount of \$11,875,000, with interest rates ranging from 3.7% to 4.01%, to advance refund various lease-purchases for relocatable buildings and equipment. The outstanding principal balance as of June 30, 2008 amounted to \$8,770,000.

The annual requirements to amortize the certificates of participation, outstanding as of June 30, 2008, are as follows:

Fiscal Year	Principal	Interest	Total
2008-09	\$ 2,220,000	\$ 445,430	\$ 2,665,430
2009-10	2,330,000	343,093	2,673,093
2010-11	1,750,000	244,413	1,994,413
2011-12	3,730,000	253,574	3,983,574
Total	<u>\$ 10,030,000</u>	<u>\$ 1,286,510</u>	<u>\$ 11,316,510</u>

Community Facilities District Obligations

The Sweetwater Union High School District Financing Corporation has issued the following obligations as authorized by the Mello-Roos Community Facilities Act of 1982, as amended, and the Mark-Roos Local Bond Pooling Act of 1985. The debt is payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. The table below shows the outstanding obligations which amount to \$200,780,000 as of June 30, 2008.

	Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 1, 2007	Additions	Deletions	Outstanding June 30, 2008	Due Within One Year
Series 2001	3/14/2001	3.20%-5.10%	9/1/2025	\$ 42,875,000	\$ 41,320,000	\$ -	\$ 580,000	\$ 40,740,000	\$ 675,000
Series 2002	12/12/2002	3.00%-5.00%	9/1/2027	55,940,000	51,750,000	-	995,000	50,755,000	1,090,000
Series 2003	5/21/2003	2.00%-3.50%	9/1/2015	23,700,000	17,955,000	-	2,090,000	15,865,000	2,190,000
Series 2005	11/9/2005	2.90%-5.00%	9/1/2022	18,330,000	17,505,000	-	640,000	16,865,000	1,285,000
Series 2005A	2/24/2005	3.00%-5.00%	9/1/2029	66,385,000	63,745,000	-	1,155,000	62,590,000	1,285,000
Seroes 2005B	2/24/2005	3.50%-4.75%	9/1/2029	15,180,000	14,400,000	-	435,000	13,965,000	470,000
				<u>\$ 222,410,000</u>	<u>\$ 206,675,000</u>	<u>\$ -</u>	<u>\$ 5,895,000</u>	<u>\$ 200,780,000</u>	<u>\$ 6,995,000</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

Community Facilities District Obligation (continued)

The annual requirements to amortize the CFD obligations, outstanding as of June 30, 2008, are as follows:

Year Ended June 30	Principal	Interest	Total
2009	\$ 6,370,000	\$ 6,403,870	\$ 12,773,870
2010	6,875,000	6,256,720	13,131,720
2011	7,400,000	6,095,740	13,495,740
2012	7,970,000	5,917,020	13,887,020
2013	8,590,000	5,715,055	14,305,055
2014-2018	46,820,000	32,708,988	79,528,988
2019-2023	54,820,000	23,515,571	78,335,571
2024-2028	51,860,000	9,793,031	61,653,031
2029-2030	10,075,000	708,788	10,783,788
Total	<u>\$ 200,780,000</u>	<u>\$ 97,114,783</u>	<u>\$ 297,894,783</u>

Capital Leases

The District's leases for facilities and equipment under agreements with options to purchase are summarized below:

Fiscal Year	Total
2008-09	\$ 2,339,543
2009-10	1,347,148
2010-11	1,347,149
2011-12	1,327,288
2012-13	567,501
2013-2018	1,549,315
2019-2023	68,101
Total	8,546,045
Less: Amount Representing Interest	<u>(1,088,354)</u>
Present Value of Minimum Lease Payments	<u>\$ 7,457,691</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 9 – JOINT VENTURES

The Sweetwater Union High School District participates in one joint venture under a joint powers agreement (JPA), the San Diego County Schools Risk Management JPA (RM). The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of the JPA independent of any influence by the Encinitas School District beyond the District's representation on the governing board.

The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation in the JPA.

Combined audited financial information (most currently available) for the year ended June 30, 2007 is as follows:

Assets	\$ 91,261,574
Liabilities	44,556,823
Net Assets	\$ 46,704,751
Revenues	\$ 54,203,262
Expenses	42,154,505
Change in Net Assets	\$ 12,048,757

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts, damage to District assets, errors and omissions, employee injuries and natural disasters. The District participates in a public entity risk pool, as described in Note 9, for claims in excess of insured amounts for workers' compensation and liability protection. The District purchases commercial insurance coverage for other types of risk. There have been no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 11 - EMPLOYEE RETIREMENT PLANS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2007-08 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$6,105,360, \$5,722,255, and \$5,089,238, respectively, which represent 100% of the required contributions for each fiscal year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 11 - EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-08 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$16,235,480, \$15,171,489, and \$12,795,172, respectively, and equal 100% of the required contributions for each year.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state general fund contributions of approximately \$11,694,157 million to STRS (4.517% of salaries subject to STRS in 2007-08 and 2.237% of salaries subject to STRS in 2003-04).

NOTE 13 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2008.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 13 - COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date. Future minimum lease payments under these agreements are as follows:

Year Ending June 30,	Lease Payment
2009	\$ 544,716
2010	544,716
2011	544,716
Total	<u>\$ 1,634,148</u>

Construction Commitments

As of June 30, 2008, the District had commitments with respect to unfinished capital projects of approximately \$23.8 million to be paid from various capital project funds.

Project	Outstanding Construction Commitment	Project	Outstanding Construction Commitment
Asset Utilization (Property Purchased)	\$ 818,413	Montgomery High Project 1	1,436,965
Bonita Vista High Modernization	2,483	East Hills Academy	268,662
Bonita Vista Middle Modernization	104,181	Montgomery Middle Modernization	206,798
Castle Park High Modernization	51,274	Montgomery Adult Modernization	10,847
Castle Park Middle Modernization	(103)	National City Middle Project 1	2,367,549
Chula Vista High Modernization	401,107	National City Middle Project 2	1,364,191
Chula Vista High Growth	81,954	Palomar High Modernization	775
Hilltop High Modernization	22,388	Olympian High	637,094
Hilltop Middle Modernization	35,078	San Ysidro High	2,987,814
IT Department Services	173,027	Southwest Middle Modernization	208,218
Chula Vista High Project 1	2,099,894	Southwest Middle Project 1	1,313,184
Chula Vista Middle Project 1	753,879	Southwest High Modernization	2,133,125
Hilltop High Project 1	1,356,569	Sweetwater High Growth	769,713
Mar Vista High Project 1	928,632	Sweetwater High Project 1	3,259,519
		Total	<u>\$ 23,793,230</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

Sweetwater Union High School District administers a single-employer defined benefit other postemployment plan (OPEB) that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2007-08.

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	336
Active plan members*	3,797
Total	<u>4,133</u>

* As of March 5, 2007 actuarial valuation

Number of participating employers	1
-----------------------------------	---

To be eligible the employee must have fifteen years of service with the District and be between the age of fifty-five and the age of Medicare eligibility or be approved for STRS or PERS disability retirement within thirty-nine months of his/her fifty-five year birthday. Dependents of retirees are eligible under the same condition and restraints as dependents of active plan members.

The District's funding policy is based on the projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined annually by the governing board. For fiscal year 2007-08, the District contributed \$1,612,264.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

Annual required contribution	\$ 6,797,483
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>6,797,483</u>
Contributions made	<u>1,612,264</u>
Increase in net OPEB obligation	5,185,219
Net OPEB obligation - July 1, 2007	-
Net OPEB obligation - June 30, 2008	<u><u>\$ 5,185,219</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007-08 are as follows:

Year Ended	Annual	Percentage	Net
June 30,	Required	Contributed	OPEB
2008	Contribution		Obligation
	\$ 6,797,483	24%	\$ 5,185,219

Funded Status and Funding Progress – OPEB Plans

As of March 5, 2007, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability (AAL) for benefits was \$55.6 million and the unfunded actuarial accrued liability (UAAL) was \$55.6 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	3/5/2007
Actuarial Cost Method	Projected unit credit
Amortization Method	Level-dollar basis
Remaining amortization period	29 years
Asset Valuation	Market value basis
Actuarial assumptions:	
Investment rate of return	5.0%
Healthcare cost trend rate	9.5%

NOTE 15 – ADJUSTMENTS FOR RESTATEMENT

The net asset balance was restated by (\$206,675,000) to accrue the long-term obligations for the Community Facilities Districts that were omitted from the District's financial statements in the prior period. Under the terms of lease agreements with the CFDs, the District is obligated for any deficiencies in special taxes collected to repay the principal and taxes due to bondholders.

Required Supplementary Information

SWEETWATER UNION HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Pos (Neg)
Revenues				
Revenue Limit Sources	\$ 257,944,610	\$ 262,919,538	\$ 264,459,171	\$ 1,539,633
Federal	18,435,173	24,393,315	21,518,821	(2,874,494)
Other State	37,674,836	45,131,500	46,138,798	1,007,298
Other Local	27,969,999	32,330,534	30,780,031	(1,550,503)
Total Revenues	342,024,618	364,774,887	362,896,821	(1,878,066)
Expenditures				
Certificated Salaries	172,915,075	183,903,490	188,832,804	(4,929,314)
Classified Salaries	59,230,545	61,983,249	63,964,934	(1,981,685)
Employee Benefits	54,474,316	61,824,643	60,110,842	1,713,801
Books and Supplies	24,963,723	20,663,230	18,014,209	2,649,021
Services and Other Operating Expenditures	23,481,016	31,569,027	30,953,481	615,546
Capital Outlay	650,000	1,642,049	1,253,726	388,323
Other Outgo	790,731	6,769,815	3,174,600	3,595,215
Total Expenditures	336,505,406	368,355,503	366,304,596	2,050,907
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,519,212	(3,580,616)	(3,407,775)	172,841
Other Financing Sources and Uses				
Proceeds from Capital Leases	-	-	2,100,000	2,100,000
Interfund Transfers Out	5,694,780	(5,694,780)	(1,554,669)	4,140,111
Total Other Financing Sources and Uses	5,694,780	(5,694,780)	545,331	6,240,111
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	11,213,992	(9,275,396)	(2,862,444)	6,412,952
Fund Balances, July 1, 2007	43,725,558	43,725,558	43,725,558	-
Fund Balances, June 30, 2008	\$ 54,939,550	\$ 34,450,162	\$ 40,863,114	\$ 6,412,952

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedules of Funding Progress and Employer Contributions
Year Ended June 30, 2008

Schedule of Funding Progress

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
March 7, 2007	\$ -	\$ 55,600,023	\$ 55,600,023	0%	\$ 252,797,738	22%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2008	\$ 6,797,483	24%	\$ 5,185,219

Supplementary Information Section

SWEETWATER UNION HIGH SCHOOL DISTRICT
Local Education Agency Organization Structure
June 30, 2008

The Sweetwater Union High School District was established in 1920 and consists of approximately 153 square miles. The District provides education for grades 7-12 and is currently operating: ten middle schools, twelve high schools, one continuation school, four adult schools and four alternative education schools. One charter school also operates within the district boundaries.

GOVERNING BOARD		
Member	Office	Term Expires
Pearl Quiñones	President	2008
Jaime Mercado	Vice President	2008
Arlie N. Riscasa	Member	2010
Jim Cartmill	Member	2010
Greg R. Sandoval	Member	2010

DISTRICT ADMINISTRATORS

Dr. Jesus M. Gandara
Superintendent

Dianne Russo
Chief Financial Officer

Dr. Dianna Carberry
Assistant Superintendent, Curriculum and Instruction

Karen Janney
Assistant Superintendent, Academic Growth and Development

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
Elementary:		
Grades 7 and 8, regular classes	11,394	11,349
Opportunity schools	18	17
Community day schools	25	31
Home and hospital	10	12
Special education	604	607
	<u>12,051</u>	<u>12,016</u>
Total Elementary	<u>12,051</u>	<u>12,016</u>
Secondary:		
Grades 9 through 12, regular classes	25,519	25,246
Continuation education	361	353
Opportunity schools	3	3
Community day schools	89	87
Home and hospital	67	72
Special education	1,185	1,167
	<u>27,224</u>	<u>26,928</u>
Total Secondary	<u>27,224</u>	<u>26,928</u>
Classes for Adults:		
Concurrently enrolled	225	241
Not concurrently enrolled	5,997	6,161
	<u>6,222</u>	<u>6,402</u>
Total Adult Classes	<u>6,222</u>	<u>6,402</u>
Total Average Daily Attendance	<u><u>45,497</u></u>	<u><u>45,346</u></u>
	<u>Hours of Attendance</u>	
<u>Supplemental Instruction Hours</u>		
Elementary	438,917	
High School	1,147,226	

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Instructional Time
June 30, 2008

Grade Level	1982-83	1986-87	2007-08	Number of Days		Status
	Actual Minutes	Minutes Requirement		Traditional Calendar	Multi-track Year Round	
Grade 7	57,244	54,000	62,460	180	180	Complied
Grade 8	57,244	54,000	62,460	180	180	Complied
Grade 9	58,020	64,800	65,806	180	180	Complied
Grade 10	58,020	64,800	65,806	180	180	Complied
Grade 11	58,020	64,800	65,806	180	180	Complied
Grade 12	58,020	64,800	65,806	180	180	Complied

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2008

General Fund	(Budget) 2009***	2008	2007	2006
Revenues and other financing sources	\$ 348,062,486	\$ 364,996,821	\$ 382,994,558	\$ 330,837,020
Expenditures	347,852,875	366,304,596	358,357,138	323,575,365
Other uses and transfers out	-	1,554,669	5,424,902	5,058,137
Total outgo	347,852,875	367,859,265	363,782,040	328,633,502
Change in fund balance (deficit)	209,611	(2,862,444)	19,212,518	2,203,518
Ending fund balance	\$ 41,072,725	\$ 40,863,114	\$ 43,725,558	\$ 24,513,040
Available reserves*	\$ 16,672,192	\$ 16,701,216	\$ 14,584,941	\$ 13,564,432
Available reserves as a percentage of total outgo	4.8%	4.5%	4.0%	4.1%
Total long-term debt, as restated	\$ 582,695,084	\$ 602,011,051	\$ 425,272,497	\$ 431,874,325
Average daily attendance at P-2**	39,275	39,275	38,891	38,620

The General Fund balance has increased by \$16,350,074 over the past two years. The fiscal year 2008-09 adopted budget projects a increase of \$209,611. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo). Long-term debt has increased \$170,136,726 over the past two years.

* Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund.

** Excludes Adult Education ADA.

*** Adopted September 2008

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
No Child Left Behind Act (NCLB)			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	\$ 5,301,182
Title I, Part A - Program Improvement	84.010	14581	100,000
Title I, Part A - School Improvement	84.010	14579	312,028
Title I, Part A - Non Program Improvement Schools	84.010	14796	120,000
Title II, Part A - Improving Teacher Quality	84.367	14341	1,732,926
Title II, Part A - Principle Training	84.367	14344	7,085
Title II, Part D - Enhancing Education through Technology	84.318	14335	56,228
Title III - Immigrant Education	84.365	14346	191,050
Title III - Limited English Proficiency	84.365	10084	958,561
Title IV - Safe and Drug Free Schools	84.186	14347	138,942
Title IV, Part B - 21st Century Community Centers Learning	84.287	14535	1,631,547
Title V - Innovative Strategies	84.298A	14354	42,783
Title X, McKinney-Vento Homeless Children Assistance Grant	84.196	14332	66,623
Carl Perkins Act: Vocational and Applied Technology Grants:			
Secondary Education	84.048	13924	547,161
Postsecondary and Adult II C, Sec 132	84.048	13923	420,563
Adult Education: Priority 1-3 Adult Basic Education	84.002A	14508	535,042
Adult Education: Priority 5, Adult Secondary Education	84.002A	13978	84,248
Adult Education: English Literacy and Civics Education	84.002A	14109	100,912
Advanced Placement Fee Reimbursement Program	84.330	14504	188,640
Educational Technology	84.318	(1)	595
Impact Aid	84.041B	10015	35,672
Gaining Early Awareness and Rediness for Undergraduate	84.334A	(1)	1,176,470
Funds for the Improvement of Education:			
Teaching American History	84.215X	(1)	86,872
Carol White PE Program Grant	84.215F	(1)	120,340
Smaller Learning Communities	84.215L	(1)	159,040
Passed through the South County SELPA:			
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	6,093,781
Passed through San Diego County Office of Education:			
Carl Perkins Act: Vocational and Applied Technology Grants:			
Secondary Education	84.048	13924	552,350
Post Secondary	84.048	13923	420,563
Total U.S. Department of Education			<u>21,181,204</u>

(1) Funded directly

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
National School Lunch	10.555	13396	\$ 5,306,507
Basic Breakfast	10.553	13390	44,031
Especially Needy Breakfast	10.553	13390	190,065
Non-Cash Nutrition	10.550	13389	320,409
Meal Supplements	10.555	13666	1,878,297
Total U.S. Department of Agriculture			<u>7,739,309</u>
U.S. Department of Health & Human Services:			
Passed through the California Department of Education:			
Medi-Cal Billing Option	93.778	10013	356,662
Medi-Cal Administrative Activities	93.778	10060	803,106
Total U.S. Department of Health and Human Services			<u>1,159,768</u>
U.S. Department of Interior Fish and Wildlife Service:			
Passed through the County of San Diego:			
Tijuana Slough Funds (PL 95-469)	15.000	(2)	<u>16,185</u>
U.S Department of Defense			
Junior Reserve Officer Training Corps			<u>298,748</u>
Total Expenditures of Federal Awards			<u>\$ 30,395,215</u>

(2) Pass-Through Entity Number not available

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Charter Schools
Fiscal Year Ended June 30, 2008

Charter School	Inclusion in Financial Statements
The Metropolitan Area Advisory Committee Community Charter School	Not included

See accompanying note to supplementary information.

SWEETWATER UNION HIGH SCHOOL DISTRICT**Reconciliation of Annual Financial and Budget Report With Audited Financial Statements
Year Ended June 30, 2008**

	Building Fund	Schedule of Long-term Debt
June 30, 2008, annual financial and budget report (SACS) fund balances	\$ 180,445,159	\$ 406,443,151
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
Overstatement of accounts payable	1,063,811	-
Understatement of general obligation bonds	-	186,045,776
Understatement of bond premium	-	7,333,653
Understatement of OPEB liability	-	88,471
Understatement of capital lease	-	2,100,000
Net adjustments and reclassifications	1,063,811	195,567,900
June 30, 2008, audited financial statement fund balances	\$ 181,508,970	\$ 602,011,051

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Excess Sick Leave
June 30, 2008

Section 19855.3 (a)(3)(c) disclosure

Sweetwater Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2008

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code section 46201.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Subrecipients

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

Schedule of Charter Schools

This schedule reports charter school sponsored by the District and whether or not the School is included in the audit of the District.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2008

Schedule of Excess Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Non-Major Governmental Funds
Combining Balance Sheet - Unaudited
June 30, 2008

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS								
Cash	\$ 340,084	\$ 830,307	\$ 8,796,162	\$ 4,428,812	\$ 6,917,716	\$ 32,017,927	\$ 17,062,641	\$ 70,393,649
Accounts receivable	2,504,758	2,148,708	77,044	35,146	253,356	260,501	-	5,279,513
Inventories	-	146,083	-	-	-	-	-	146,083
Due from other funds	31,263	107,022	-	-	2,511,867	-	-	2,650,152
Total Assets	\$ 2,876,105	\$ 3,232,120	\$ 8,873,206	\$ 4,463,958	\$ 9,682,939	\$ 32,278,428	\$ 17,062,641	\$ 78,469,397
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and accrued liabilities	\$ 343,807	\$ 220,509	\$ 43,600	\$ 53,533	\$ 59,724	\$ 617,997	\$ -	\$ 1,339,170
Due to other funds	2,431,515	2,863,253	-	2,039,334	229	2,322	-	7,336,653
Total Liabilities	2,775,322	3,083,762	43,600	2,092,867	59,953	620,319	-	8,675,823
Fund Balances								
Reserved for:								
Revolving cash	-	10,000	-	-	-	-	-	10,000
Inventories	-	146,083	-	-	-	-	-	146,083
Debt service	-	-	-	-	-	-	17,062,641	17,062,641
Unreserved:								
Capital projects funds	-	-	-	2,371,091	9,622,986	31,658,109	-	43,652,186
Special revenue funds	100,783	(7,725)	8,829,606	-	-	-	-	8,922,664
Total Fund Balances	100,783	148,358	8,829,606	2,371,091	9,622,986	31,658,109	17,062,641	69,793,574
Total Liabilities and Fund Balances	\$ 2,876,105	\$ 3,232,120	\$ 8,873,206	\$ 4,463,958	\$ 9,682,939	\$ 32,278,428	\$ 17,062,641	\$ 78,469,397

SWEETWATER UNION HIGH SCHOOL DISTRICT
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balance - Unaudited
June 30, 2008

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Projects Fund	County School Facilities Fund	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES								
General Revenues:								
Earnings on investments	\$ -	\$ -	\$ -	\$ 178,776	\$ 404,849	\$ 565,623	\$ 290,536	\$ 1,439,784
Property taxes	-	-	-	-	443,203	-	18,784,069	19,227,272
Miscellaneous	-	-	-	1,421,244	653,646	-	4,906	2,079,796
Program Revenues:								
Charges for services	258,402	2,748,442	-	-	-	-	-	3,006,844
Operating grants and contributions	17,651,385	8,210,413	2,020,413	-	118,872	-	-	28,001,083
Capital grants and contributions	-	-	-	-	-	16,949,667	-	16,949,667
Total revenues	17,909,787	10,958,855	2,020,413	1,600,020	1,620,570	17,515,290	19,079,511	70,704,446
EXPENDITURES								
Instructional Services:								
Instruction	11,514,736	-	-	-	-	-	-	11,514,736
Supervision of instruction	1,163,874	-	-	-	-	-	-	1,163,874
Instr. library, media and technology	315,671	-	-	-	-	-	-	315,671
School site administration	3,688,783	-	-	-	-	-	-	3,688,783
Pupil Support Services:								
All other pupil services	636,494	-	-	-	-	-	-	636,494
Food services	-	11,031,940	-	-	-	-	-	11,031,940
General Administration Services:								
Other general administration	4,555	1,700	-	361,498	-	-	-	367,753
Plant services	1,433,304	39,976	1,066,959	382,420	822,646	264,234	5,895,000	9,904,539
Facility acquisition and construction	-	-	-	79,395	188,244	4,734,595	9,183,590	14,185,824
Debt service and other outgo	-	-	-	-	3,163,305	-	7,928,646	11,091,951
Total Expenditures	18,757,417	11,073,616	1,066,959	823,313	4,174,195	4,998,829	23,007,236	63,901,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	(847,630)	(114,761)	953,454	776,707	(2,553,625)	12,516,461	(3,927,725)	6,802,881
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	792,476	100,000	-	-	2,511,867	20,810,334	15,078,596	39,293,267
Interfund transfers out	-	-	-	(1,849,674)	-	(17,577,368)	-	(19,427,042)
Total Other Financing Sources and Uses	792,476	100,000	-	(1,849,674)	2,511,867	3,232,966	15,078,590	19,866,225
Net Change in Fund Balances	(55,154)	(14,761)	953,454	(1,072,967)	(41,758)	15,749,427	11,150,865	26,669,106
Fund Balances, July 1, 2007	155,937	163,119	7,876,152	3,444,058	9,664,744	15,908,682	5,911,776	43,124,468
Fund Balances, June 30, 2008	\$ 100,783	\$ 148,358	\$ 8,829,606	\$ 2,371,091	\$ 9,622,986	\$ 31,658,109	\$ 17,062,641	\$ 69,793,574

Other Independent Auditors' Reports



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of Sweetwater Union High School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 23, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sweetwater Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sweetwater Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sweetwater Union High School District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, as discussed below, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sweetwater Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sweetwater Union High School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Sweetwater Union High School District's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Nigro Nigro & White, PC

San Diego, California
November 23, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Sweetwater Union High School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Sweetwater Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sweetwater Union High School District's management. Our responsibility is to express an opinion on Sweetwater Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards; generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sweetwater Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sweetwater Union High School District's compliance with those requirements.

In our opinion, Sweetwater Union High School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Sweetwater Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sweetwater Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, the California Department of Education, the State Controller's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Nigro Nigro & White, PC

San Diego, California
November 23, 2008



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AUDITORS' REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Sweetwater Union High School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 23, 2008. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Not applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Community Day Schools	9	Yes
Morgan-Hart Class Size Reduction Program	7	Not applicable

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Yes
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect CalSTRS Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Yes
Class Size Reduction Program:		
General Requirements	7	Not applicable
Option One	3	Not applicable
Option Two	4	Not applicable
Districts with only one school serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	4	Yes
Before School	5	Yes
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

Based on our audit, we found that, for the items tested, the Sweetwater Union High School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Sweetwater Union High School District had not complied with the state laws and regulations.

This report is intended solely for the information and use of the Board, management, State Controller's Office, Department of Finance, Department of Education, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Rigoberto R. White, PC

San Diego, California
November 23, 2008

Findings and Questioned Costs Section

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
CFDA Numbers	<u>Name of Federal Program or Cluster</u>
84.010	<u>Title I - Grants to LEA's Part A</u>
84.027	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 911,856</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for state programs:	<u>Unqualified</u>

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

Finding #2008-1: Associated Student Body Internal Controls (30000)

We audited all of the District's Associated Student Body funds. Overall, the ASBs are doing a good job and the findings this year are limited to three schools. The findings and district responses by schoolsite are:

Mar Vista High:

- One cash receipt sampled out of ten did not contain adequate supporting documentation, e.g. cash receipts.
- Concession sales by AAA for Friday night movies did not use a sales analysis or inventory summary to support the goods sold at the concession stand.

District Response: This District has taken immediate action on the above two findings and recognizes the value of strengthening controls regarding the receipt and deposit of cash. ASB administration at the site noted with this finding provided a training session to the club noted in order to reinforce district policy and regulations in regards to concession sales, cash collections, and the reconciliation thereof.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings, Continued

Finding #2008-1: Associated Student Body Internal Controls (30000) (continued)

Mar Vista High (continued):

- Cash is collected and counted from the coffee machine by the ASB advisor. She also prepares the deposit. Segregation of duties is lacking in this area, and we recommend another person either collect the funds from the coffee machine or prepare the deposit.

District Response: Immediate action was taken regarding this finding. One ASB staff member collects and counts the monies from vending machine sales and another ASB staff member confirms cash collections and performs the deposit.

Chula Vista Adult School:

- Bank deposits are made on a monthly basis. We recommend bank deposits be made more frequently (weekly) to minimize the amount of cash that is held at the school.

District Response: The District has already taken action on this finding. The transaction in question occurred prior to a school break (e.g. winter break). ASB personnel have been informed that if a need arises for additional armored car pick-ups (prior to school breaks) the District will arrange supplementary pick-ups.

Hilltop High:

- One receipt for a football game did not reconcile to the amount deposited by \$145.

District Response: The variance was due to an inventory miscount and was immediately corrected.

- One disbursement sampled (i.e.; Italian Trip, 2/5/08, for \$9,863) did not have supporting documentation on file.

District Response: During the audit, ASB staff could not locate the disbursement source documentation. The next school day, ASB staff contacted the club advisor and received the appropriate source documentation.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Finding #2008-2: Compensated Absences (30000)

Through testing of compensated absences and inquiry of District personnel, it appears that school site secretaries are not always recording sick leave and vacation time taken by site staff in a timely manner. District policy requires each school site secretary to record all leave taken weekly (for the prior week's absences), obtain the site principal's signature and then submit the record to the District Payroll Office. However, we found that this is often not being done timely. In some instances, there was sick and vacation time from December 2007 being recorded in July 2008.

In addition, when testing compensated absences, we found that there are numerous employees accruing more than the 40 days per year in vacation time. District labor contract language states that if an employee accrues more than 40 days, the District may instruct the employee to take vacation. Currently, there are 396 employees who have accrued a total of 12,860 days in excess of the 40 allowed. Permitting large balances to carryover means a higher cost to pay out in future benefits, as salaries rise.

Recommendation: We recommend that schoolsites turn in sick and vacation leave time each week, as required by District policy. We also recommend the District work with employees to reduce the liability for excess vacation time.

District Response: The District agrees with this finding and has notified sites as to the importance of entering attendance data in a timely manner. In addition, Internal Audit Staff has reinforced this requirement by reviewing attendance records during site visits.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section III – Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal audit findings or questioned costs in 2007-08.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
June 30, 2008

Section IV – State Award Findings and Questioned Costs

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state audit findings or questioned costs in 2007-08.

SWEETWATER UNION HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding #2007-1:</i> Cash Clearing Account	Revolving fund-type use of the clearing account for items such as payroll reimbursements, credit card payments and other general disbursements.	30000	Use for clearing checks to the county treasury only.	Implemented
<i>Finding# 2007-2:</i> Disbursements – Credit Cards	Lack of complete receipts, especially for gas card usage.	30000	Obtain receipts for gas card usage and adopt a policy to standardize gas card usage.	Implemented
<i>Finding #2007-3 –</i> Revolving Cash	Lack of complete documentation, amounts paid in excess of \$75 per transaction district policy and account not reconciled to imprest balance found in the audit.	30000	Follow district procedures for revolving cash account use and reconcile to imprest balance.	Implemented
<i>Finding #2007-4 –</i> Proposition 20 Lottery Expenditures	HR software purchased with lottery funds, which is not an allowable cost.	40000	Transfer expenditure out of Resource 6300 to ensure compliance.	Implemented
<i>Finding #2007-5 –</i> School Accountability Report Card	Interim evaluation forms could not be located for testwork.	72000	Ensure the interim evaluation forms used to prepare the SARC are on file.	Implemented